

**ELKTON-PIGEON-BAY PORT  
LAKER SCHOOLS  
PIGEON, MICHIGAN**

**FINANCIAL REPORT  
JUNE 30, 2007**

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

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## REPORT OF INDEPENDENT AUDITORS

To The Board of Education  
Elkton-Pigeon-Bay Port Laker Schools  
Pigeon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elkton-Pigeon-Bay Port Laker Schools, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elkton-Pigeon-Bay Port Laker School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elkton-Pigeon-Bay Port Laker Schools as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2007, on our consideration of Elkton-Pigeon-Bay Port Laker School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(Continued)

- i -

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

## REPORT OF INDEPENDENT AUDITORS

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elkton-Pigeon-Bay Port Laker Schools' basic financial statements. The additional information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Elkton Pigeon-Bay Port Laker Schools. The additional information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nietzke & Faupel P.C.*

NIETZKE & FAUPEL, P.C.  
SEBEWAING, MICHIGAN

October 2, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents our discussion and analysis of the District's financial performance during the school year ended June 30, 2007. The intent of this discussion and analysis is to provide, in layman's terms, a look at the District's performance and past and current position. Readers should also review the transmittal letter, notes to the financial statements and financial statements to enhance their understanding of the District's financial performance.

### FINANCIAL HIGHLIGHTS

The General fund showed expenditures exceeded revenue by \$5,803. This is more than the original budget had anticipated.

The Athletic fund showed expenditures exceeded revenue in the amount of \$7,938.

The Capital projects fund showed expenditures exceeded revenue by \$20,689. The District is nearing completion of this project.

The Food Service fund showed expenditures exceeded revenue in the amount of \$13,517.

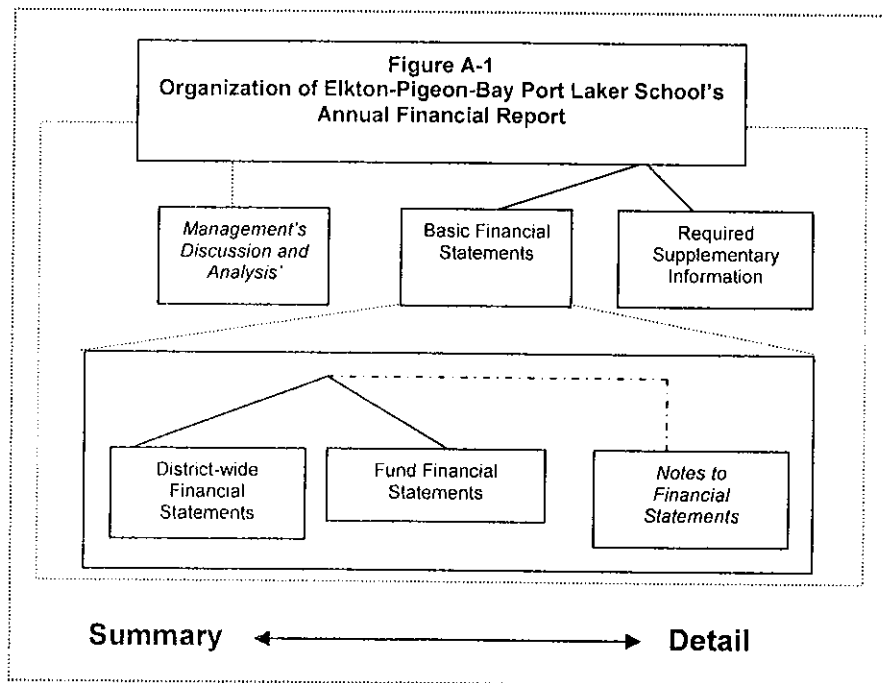
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.

The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.



Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<p style="text-align: center;"><b>Figure A-2</b>  <b>Major Features of District-Wide and Fund Financial Statements</b></p>			
	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Elkton-Pigeon-Bay Port Laker Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

Some funds are required by State law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

Government funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

### **Net Assets**

The District's net assets decreased during the fiscal year 2007. A loss in the non-major governmental funds (which is comprised of Athletics, Food Service, and Capital Projects) of \$42,144 had an impact on the decrease in net assets. There was a decision made to reduce the fund surplus in athletics to a more acceptable level.

(Continued)



The statement of net assets provides the perspective of the District as a whole. Table A-3 provides a summary of the District's net assets as of June 30, 2007 and 2006.

**Table A-3**  
**Elkton-Pigeon-Bay Port Laker Schools**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Current and other assets	\$ 3,947,832	\$ 4,120,265
Capital assets, less accumulated depreciation	<u>11,279,818</u>	<u>11,163,817</u>
<b>Total assets</b>	<b><u>\$15,227,652</u></b>	<b><u>\$15,284,082</u></b>
Current liabilities	\$ 2,753,529	\$ 2,467,912
Noncurrent liabilities	<u>9,856,786</u>	<u>10,147,161</u>
<b>Total liabilities</b>	<b><u>\$12,610,314</u></b>	<b><u>\$12,615,072</u></b>
Net assets:		
Invested in capital assets net of related debt	\$ 1,017,666	\$ 1,165,747
Restricted for debt service	313,743	331,532
Restricted for capital projects	73,204	93,892
Unrestricted	<u>1,212,725</u>	<u>1,077,838</u>
<b>Total net assets</b>	<b><u>\$ 2,617,337</u></b>	<b><u>\$ 2,669,010</u></b>

The statement of activities shows the results of this year's operations for Elkton-Pigeon-Bay Port Laker Schools as a whole. Table A-4 shows the changes in net assets of the District as of June 30, 2007 and 2006.

**Table A-4**  
**Changes in Elkton-Pigeon-Bay Port Laker School's Net Assets**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Revenues		
Program revenues:		
Charges for services	\$ 588,096	\$ 540,949
Federal and State categorical grants	576,793	862,608
General revenues:		
Property taxes	2,609,785	2,437,316
State aid - unrestricted	5,855,055	6,128,449
Other	<u>309,513</u>	<u>296,003</u>
<b>Total revenues</b>	<b><u>9,939,242</u></b>	<b><u>10,265,325</u></b>
Expenses		
Instruction	5,723,638	5,649,289
Support services	2,590,301	2,395,472
Food services	443,875	454,149
Athletics	214,457	214,670
Interest on long-term debt	518,354	541,728
Unallocated depreciation	<u>500,291</u>	<u>499,278</u>
<b>Total expenses</b>	<b><u>9,990,914</u></b>	<b><u>9,754,586</u></b>
(Decrease) Increase in net assets	<b><u>\$ (51,673)</u></b>	<b><u>\$510,739</u></b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses funds to help it control and manage money for particular purposes. The reader can look at these funds to help determine whether the Elkton-Pigeon-Bay Port Laker School District is being held accountable for the resources taxpayers and others provide to it, and it may give them insight in the District's overall financial health.

Table A-5 shows the breakdown of the sources of revenue for the District. A substantial portion (67%) of the District's revenues is received from State sources, which means that the financial stability of the District rests primarily with the economic health of the State of Michigan.

**Table A-5**

### **Sources of Revenue for Fiscal Year 2006/2007**

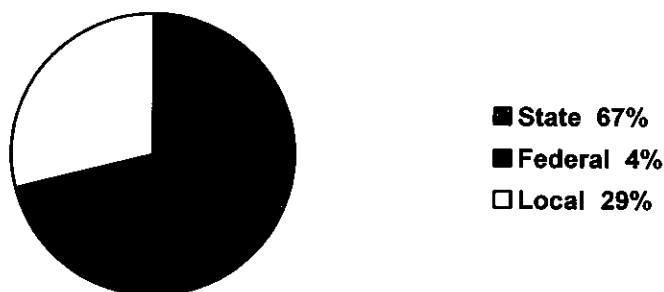


Table A-6 shows that the 59% of the District's resources are spent on instruction services and 26% on support services. These two functions make up 85% of the District's expenditures.

**Table A-6**



The financial performance of the district as a whole is reflected in its governmental funds. As the District completed the 2006/2007 school year, the governmental funds reported a combined fund balance of \$1,645,262. The Fiduciary Funds had a balance of \$162,752.

### **Factors Affecting Fund Equity**

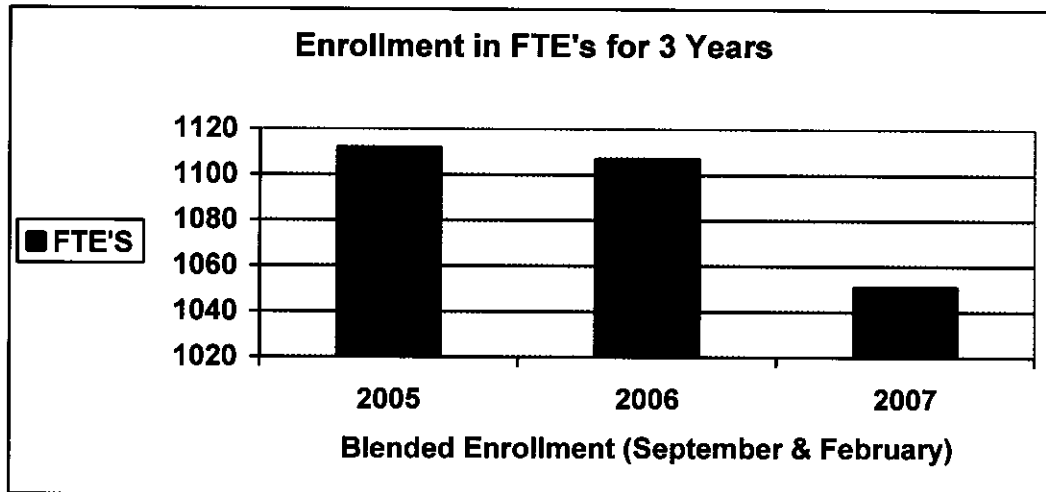
- *General Fund Equity* – Decreased \$5,803.

*Grants* – The District received grants for professional development, parent programs, at risk, and literacy programs. These help to offset the cost of instructional budget items normally paid from fund equity.

(Continued)

- *Debt Service Fund Equity* – Decreased \$17,789.
- *Food Service Fund Equity* – Decreased \$13,517.
- *Student Enrollment*

The chart below shows the steady decline in enrollment for the past 3 years. There was a decline of 56 students between 2006 and 2007 with state aid at \$7,085 per student; this is a loss of revenue of \$396,760.



- *State Aid*  
The State of Michigan finalized the student foundation allowance for 2006/07 in the amount of \$7,085 per student. That was a \$210 per student increase from the 2005/06 year.

### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted just before the year-end, along with the new adopted budget for the upcoming school year.

Initial budget amendments were made to reflect the impact of changes to increases in grant funds, the impact of actual student counts and finalizing the amount to be received in state aid. Also, budget amendments were required to reflect staffing changes and contract settlements.

Original revenues were budgeted at \$8,480,889 and the actual revenue amount was \$8,636,088. The original budget amount for expenditures and transfers was \$8,480,889 and the actual figure was \$8,641,891.

## Capital Asset and Debt Administration

### Capital Assets

The District's capital additions for the year are as follows:

Buses	\$125,940
Capital Project fund expenditures	8,064
Windmill Cost	35,955
Deli Shop	5,143
Soccer Lighting	10,434
Other equipment	<u>3,200</u>
Total additions	<u>\$188,736</u>

The District's capital assets at year-end are outlined in Table A-5.

**Table A-5**  
**Elkton-Pigeon-Bay Port Laker Schools Capital Assets**

	<u>2007</u>	<u>2006</u>
Buildings	\$11,735,392	\$11,735,392
Buses	1,109,460	1,024,644
General Equipment	1,017,546	1,034,851
Lawn and Maintenance	100,840	100,840
Playground, Athletic, Site Improvement	2,210,604	2,164,215
Technology	<u>365,956</u>	<u>365,956</u>
Totals	<u>\$16,539,798</u>	<u>\$16,425,898</u>

### Debt Administration

As of June 30, 2007, the District had debt on the financial statements for the 2000 School Building and Site bonds in the amount of \$1,035,000. A portion of these bonds will mature each year with a final payment due in 2010.

As of June 30, 2007, the District had debt on the financial statements for the 2005 refunding bonds in the amount of \$8,645,000. Principal payments start in 2011 with the final payment due in 2025.

As of June 30, 2007, the District had compensated absences and employee severance payments payable, which include accumulated sick and vacation pay, totaling \$255,547.

We present more detailed information about our long-term liabilities in the notes to financial statements.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several areas that could have a major impact on the 2008 fiscal year, and the near future.

The State of Michigan has yet to finalize the student foundation allowance for 2007-08. A continuation of the current level of funding has been proposed. If there is no increase in the level of state funding, it will have a significant and negative impact on the school budget since employee benefits and energy costs continue to rise.

(Continued)

Health insurance costs continue to escalate. In an effort to reduce expenses, the District has moved all employees to a Health Savings Account insurance program.

District pension costs have been rising at a rapid rate. However for next year a decrease from 17.74% per salary dollar to 16.72% per salary dollar has been approved by the State of Michigan.

Student enrollment projections continue to report a decline. The decline in enrollment along with the State's depressed economic status will make it difficult to cover the anticipated increases in personnel costs.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, EPBP Laker Schools, 6136 Pigeon Road, Pigeon, Michigan, 48755, and telephone number (989) 453-4602.

## **BASIC FINANCIAL STATEMENTS**

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

		<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and deposits	\$	566,174
Investments		2,013,044
Accounts receivable		1,332,483
Prepaid expenses		36,132
Taxes receivable		125,853
Allowance for uncollectible accounts		<u>(125,853)</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>3,947,832</b></u>
<b>NON-CURRENT ASSETS:</b>		
Deferred charges		336,818
Bond issuance costs		138,246
Less: Accumulated amortization		(18,852)
Depreciated capital assets		16,539,798
Less: Accumulated depreciation		<u>(5,716,192)</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>11,279,818</b></u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<u><u><b>15,227,652</b></u></u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2007**

**GOVERNMENTAL  
ACTIVITIES**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 97,646
Salaries payable	718,619
Accrued employee benefits	20,942
Accrued interest payable	74,966
Deferred revenue	65,365
State aid note payable	1,400,000
Current portion of long-term obligations	375,993

**TOTAL CURRENT LIABILITIES** 2,753,529

**NON-CURRENT LIABILITIES:**

Bus note payable	125,940
Bonds payable	9,680,000
Bond premium	171,292
Compensated absences	227,667
Severance payable	27,880
Less: Current portion of long-term obligations	(375,993)

**TOTAL NON-CURRENT LIABILITIES** 9,856,786

**TOTAL LIABILITIES** 12,610,314

**NET ASSETS**

Invested in capital assets, net of related debt	1,017,666
Restricted for:	
Debt service	313,743
Capital projects	73,204
Unrestricted	1,212,725

**TOTAL NET ASSETS** 2,617,337

**TOTAL LIABILITIES AND NET ASSETS** \$ 15,227,652



# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Program revenues			GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<b>Governmental activities:</b>				
Instruction	\$ 5,723,638	\$ 284,714	\$ 313,600	Net (expenses) revenue and changes in net assets
Support services	2,590,301	58,158	9,266	\$ (5,125,325)
Food service	443,875	175,704	253,928	(2,522,876)
Athletics	214,457	69,521		(14,244)
Interest on long-term obligations	518,354			(144,936)
Depreciation - Unallocated	500,291			(518,354)
				(500,291)
<b>Total governmental activities:</b>	<u>\$ 9,990,914</u>	<u>\$ 588,096</u>	<u>\$ 576,793</u>	<u>(8,826,025)</u>
<b>General revenues:</b>				
Property taxes, levied for general purposes				1,896,386
Property taxes, levied for debt service				713,399
State aid				5,855,055
Investment earnings				92,262
Miscellaneous				244,382
Transfers out				(27,131)
<b>Total general revenue</b>				<u>8,774,353</u>
				<u>(51,673)</u>
<b>CHANGE IN NET ASSETS</b>				
<b>NET ASSETS - Beginning</b>				2,669,010
<b>NET ASSETS - Ending</b>				<u>\$ 2,617,337</u>

The accompanying notes are an integral part of the financial statements.

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS****BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and deposits	\$ 480,527	\$ 5	\$ 85,642	\$ 566,174
Investments	1,656,076	313,790	43,178	2,013,044
Accounts receivable	1,298,464		34,019	1,332,483
Due from other funds	800			800
Prepaid expenses	34,836		1,296	36,132
<b>TOTAL ASSETS</b>	<u>\$ 3,470,702</u>	<u>\$ 313,795</u>	<u>\$ 164,135</u>	<u>\$ 3,948,632</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 86,850		\$ 10,796	\$ 97,646
State aid note payable	1,400,000			1,400,000
Due to other funds		\$ 52	748	800
Accrued salaries and wages	718,619			718,619
Accrued benefits	20,942			20,942
Deferred revenue	62,530		2,835	65,365
<b>TOTAL LIABILITIES</b>	<u>2,288,940</u>	<u>52</u>	<u>14,379</u>	<u>2,303,370</u>
<b><u>FUND BALANCE:</u></b>				
Unreserved	1,181,762	313,743	149,757	1,645,262
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,470,702</u>	<u>\$ 313,795</u>	<u>\$ 164,135</u>	<u>\$ 3,948,632</u>

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS JUNE 30, 2007

TOTAL GOVERNMENTAL FUND BALANCES \$ 1,645,262

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	16,539,798	
Accumulated depreciation is	<u>(5,716,192)</u>	10,823,606

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long term liabilities at year-end consist of :

Bonds payable	9,680,000	
Bus note payable	125,940	
Compensated absences	227,667	
Severance payable	27,880	
Accrued interest payable on Long-term Obligations	<u>74,966</u>	(10,136,453)

Certain transactions related to the advance refunding of the 2000 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements.

The transactions include the following:

Bond issuance cost	138,246	
Less: Amortization	<u>(18,852)</u>	119,394
Deferred loss of 2005 Refunding Bond to call date	390,000	
Less: Amortization of deferred loss	<u>(53,182)</u>	336,818
2005 Refunding Bonds issued at a premium	(198,337)	
Less: Amortization of bond premium	<u>27,046</u>	(171,291)

NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 2,617,337

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>				
Local sources:				
Taxes	\$ 1,896,386	\$ 713,399		\$ 2,609,784
Food service			\$ 176,430	176,430
Athletics			69,653	69,653
Other local revenue	561,782	16,268	3,322	581,372
State sources	5,855,055		29,949	5,885,004
Federal sources	322,866		223,978	546,845
<b>TOTAL REVENUE</b>	<u>8,636,088</u>	<u>729,667</u>	<u>503,332</u>	<u>9,869,089</u>
<b>EXPENDITURES:</b>				
Current:				
Education				
Instruction	5,882,978			5,882,978
Supporting services	2,648,139			2,648,139
Food service			443,875	443,875
Athletics			214,457	214,457
Capital projects			24,011	24,011
Debt service:				
Principal repayment	13,070	305,000		318,070
Interest and fiscal charges	59,648	442,457		502,104
<b>TOTAL EXPENDITURES</b>	<u>8,603,834</u>	<u>747,457</u>	<u>682,342</u>	<u>10,033,633</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>32,254</u>	<u>(17,789)</u>	<u>(179,010)</u>	<u>(164,544)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bus loan	125,940			125,940
Transfers to other governments	(27,131)			(27,131)
Interfund transfers	(136,866)		136,866	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(38,057)</u>	<u>-</u>	<u>136,866</u>	<u>98,809</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(5,803)</u>	<u>(17,789)</u>	<u>(42,144)</u>	<u>(65,737)</u>
<b>FUND BALANCE-JULY 1</b>	1,187,566	331,532	191,901	1,710,999
<b>FUND BALANCE-JUNE 30</b>	<u>\$ 1,181,762</u>	<u>\$ 313,743</u>	<u>\$ 149,757</u>	<u>\$ 1,645,262</u>

The accompanying notes are an integral part of the financial statements.

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

\$ (65,737)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Depreciation expense	(500,291)	
Book value of disposed assets	(28,656)	
Capital outlays	<u>62,796</u>	(466,151)

In the statement of activities special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Employee severance program - beginning of year	174,966	
Employee severance program - end of year	<u>(27,880)</u>	147,086

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

305,000

Bus and equipment note repayments affect long term liabilities in the statement of net assets and do not affect the statement of activities.

13,070

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable - beginning of year	73,713	
Accrued interest payable - end of year	<u>(74,966)</u>	(1,253)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued compensated absences - beginning of year	258,974	
Accrued compensated absences - end of year	<u>(227,667)</u>	31,307

Certain transactions related to the advance refunding of the 2000 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements. The transactions include the following:

Deferred loss beginning of year	(354,545)	
Deferred loss end of year	336,818	
Deferred charges beginning of year	(125,678)	
Deferred charges end of year	119,394	
Bond premium beginning of year	180,307	
Bond premium end of year	<u>(171,292)</u>	(14,996)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (51,673)

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007**

	<b><u>AGENCY FUNDS</u></b>
<b>ASSETS</b>	
Cash and equivalents	\$ 162,752
<b>TOTAL ASSETS</b>	<u>\$ 162,752</u>
<b>LIABILITIES:</b>	
Due to student organizations	\$ 162,752
<b>TOTAL LIABILITIES</b>	<u>\$ 162,752</u>

The accompanying notes are an integral  
part of the financial statements.

# **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Elkton-Pigeon-Bay Port Laker School District is a consolidated school system located in Huron County, Michigan. The School has approximately 1,051 students in grades kindergarten through twelve. The school operates under a seven person elected Board of Education.

The basic financial statements of Elkton-Pigeon-Bay Port Laker School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

#### **The Reporting Entity:**

The Elkton-Pigeon-Bay Port Laker Schools (the "District") is governed by the Elkton-Pigeon-Bay Port Laker Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. State Foundation Aid, property taxes, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Government-Wide and Fund Financial Statements: (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, state sources, intermediate district sources, interest income and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

**General Fund** - This fund type is used to account for all financial transactions except those required to be accounted for in another fund. Revenue is derived primarily from property taxes and State and Federal distributions, grants and other intergovernmental revenue.

**Debt Service Fund** - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

#### **Other Non-major Funds:**

**Capital Projects Fund** – The Capital Projects Fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**Special Revenue Funds** - This fund type is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The combined Special Revenue Fund financial statements include the Hot Lunch and Athletic Services Funds.



# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Other Non-major Funds: (Continued)

**Fiduciary Fund** – This fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

**Agency Fund** - This fund accounts for assets held in trust or as an agency for others. The District's Agency Fund is the Student Activity Fund.

#### Measurement Focus, Basis of Accounting, and Basis of Presentation

##### Accrual Method:

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as does the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

##### Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

##### State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

# **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Measurement Focus, Basis of Accounting, and Basis of Presentation: (Continued)**

##### **State Revenue: (Continued)**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30<sup>th</sup> is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

##### **Other Accounting Policies:**

##### **Cash and Equivalents:**

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Property Taxes:

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the taxes become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund – Non-homestead	17.7028
Debt service fund – Homestead and non-homestead	2.15

#### Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### Capital Assets:

Capital assets, which include buildings, furniture and equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

# **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)** **Other Accounting Policies: (Continued)**

#### **Capital Assets: (Continued)**

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and additions	50
Furniture and other equipment	5-20

#### **Compensated Absences:**

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

#### **Employee Severance Program:**

The District has in place a teacher/administration separation plan, which provides for a payout to the separating employees over/up to 8 years. The District contracted with Educators Preferred Corporation as the agent for the plan.

#### **Unemployment Insurance:**

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30 are accrued, if material.

#### **Long-Term Debt:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(Continued)

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to July 1, the budget is legally enacted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2007, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
General Fund:			
Driver Education	\$16,569	\$16,840	\$271

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 3 – DEPOSITS AND INVESTMENTS:

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

#### **Statement of Net Assets**

Government-wide Financial Statement Captions:

Cash and deposits	\$ 566,174
Investments	2,013,044

#### **Statement of Fiduciary Net Assets**

Cash and cash equivalents	<u>162,752</u>
Total	<u>\$2,741,970</u>

#### **Notes to Financial Statements:**

Deposits	\$ 728,926
Investments	<u>2,013,044</u>
Total	<u>\$2,741,970</u>

As of June 30, 2007, the District had the following investments.

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>STANDARD &amp; POOR'S RATING</u>	<u>%</u>
MILAF External Investment pool-MIMAX	\$2,013,044	0.0027	AAAm	100%
Total fair value	<u>\$2,013,044</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$2,663,306 of the District's bank balance of \$2,913,034 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the totals above are certificates of deposit of \$49,728 and other interest bearing deposits.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

### NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$800	
Food Service		\$748
Debt Service		<u>52</u>
<b>Total</b>	<u>\$800</u>	<u>\$800</u>

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 5 – RECEIVABLES:

Receivables at June 30, 2007 consist of the following:

General Fund:	
Grants receivable	\$ 305,319
SET/SEG insurance refund	22,081
State aid	<u>971,064</u>
Total	1,298,464
Food Service-State Aid & Rebates	4,019
Capital projects	<u>30,000</u>
Total receivables	<u>\$1,332,483</u>

No allowance for uncollectible accounts is considered necessary for the governmental funds reporting.

The government wide financial statements include taxes receivable in the amount of \$125,853, of this amount \$125,853 is considered doubtful as to collection. The amount primarily consists of taxes delinquent from a local company that is currently in bankruptcy proceedings.

### NOTE 6 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2007</u>
<b>Capital Assets:</b>				
Buildings and Additions	\$11,735,392			\$11,735,392
Playground, Athletic, Site Imp.	2,164,215	\$ 46,389		2,210,604
General Equipment	1,034,851	16,407	\$33,712	1,017,546
Lawn Maintenance	100,840			100,840
Technology	365,956			365,956
School Buses	<u>1,024,644</u>	<u>125,940</u>	<u>41,124</u>	<u>1,109,460</u>
<b>Total Capital Assets</b>	<u>16,425,898</u>	<u>188,736</u>	<u>74,836</u>	<u>16,539,798</u>
<b>Accumulated Depreciation:</b>				
Buildings and Additions	2,618,130	241,535		2,859,665
Playground, Athletic, Site Imp.	789,799	89,797	5,056	874,540
General Equipment	548,949	61,869		610,818
Lawn Maintenance	86,487	5,002		91,489
Technology	326,709	34,968		361,677
School Buses	<u>892,007</u>	<u>67,120</u>	<u>41,124</u>	<u>918,003</u>
<b>Total Accumulated Depreciation</b>	<u>5,262,081</u>	<u>500,291</u>	<u>46,180</u>	<u>5,716,192</u>
<b>Capital Assets-Net</b>	<u>\$11,163,817</u>	<u>\$(311,555)</u>	<u>\$28,656</u>	<u>\$10,823,606</u>

(Continued)



# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### **NOTE 6 – CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Depreciation – Unallocated	\$500,291
Total Depreciation Expense	<u>\$500,291</u>

### **NOTE 7 –DEFERRED REVENUE:**

Deferred revenue reported in the governmental funds at year end consisted of the following:

General Fund:	
Drivers Education	\$14,852
At Risk Grant	4,624
MI BLisi Grant	1,884
Middle School Math	12,199
Power House	1,562
RAISE	5,000
MPERS	6,606
Medicaid	14,601
Miscellaneous	<u>1,202</u>
Total	62,530
Athletic Fund – bricks	<u>2,835</u>
Total deferred revenue	<u>\$65,365</u>

### **NOTE 8 –NOTE PAYABLE:**

At June 30, 2007, the District has outstanding a \$1,400,000 revenue note (state aid note). The note which has an interest rate of 3.68% matures August 20, 2007. The note is secured by the full faith and credit of the District as well as pledged state aid.

### **NOTE 9 – LONG-TERM DEBT AND LOANS PAYABLE:**

The District issues general obligation bonds to provide funds for the construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2000 general obligation bonds due in annual installments of \$290,000 to \$365,000 through May 1, 2010 with interest at 5.125%.	\$ 1,035,000
2005 general obligation refunding bonds due in annual installments of \$430,000 to \$645,000 starting May 1, 2011 through May 1, 2025 with interest at 4.00% to 5.00%.	8,645,000
<b>Total general obligation bonds</b>	<u>9,680,000</u>

Bus note with interest rate of 3.95% and annual payments due July 17, 2007 through July 17, 2011.

125,940

(Continued)

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 9 – LONG-TERM DEBT AND LOANS PAYABLE: (CONTINUED)

Obligation under contract for compensated absences	227,667
Obligation under retirement incentives	27,880
<b>Total general long-term debt</b>	<b><u>\$10,061,487</u></b>

The annual requirements to amortize the long-term obligations as of June 30, 2007, including interest of \$4,370,940 are as follows:

<b>Years ending June 30,</b>	<b>Total</b>
2008	\$ 778,879
2009	783,516
2010	785,834
2011	832,128
2012	839,928
2013-2017	4,085,600
2018-2022	3,968,456
2023-2025	<u>2,102,538</u>
	14,176,880

Obligation under contract for compensated absences	227,667
Obligation under retirement incentives	27,880
<b>Total general long-term debt and interest</b>	<b><u>\$14,432,427</u></b>

An amount of \$313,795 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2007 was \$498,553.

The following is a summary of the changes in the long-term liabilities during the year ended June 30, 2007:

	<b><u>BALANCE JUNE 30, 2006</u></b>	<b><u>ADDITIONS</u></b>	<b><u>REDUCTIONS</u></b>	<b><u>BALANCE JUNE 30, 2007</u></b>	<b><u>DUE WITHIN ONE YEAR</u></b>
2000 General obligation bonds	\$1,340,000		\$305,000	\$ 1,035,000	\$325,000
2005 Refunding General obligation bonds	8,645,000			8,645,000	
Compensated absences	258,974		31,307	227,667	
Accrued early retirement incentives	174,966		147,086	27,880	27,880
Note payable	<u>13,070</u>	<u>\$125,940</u>	<u>13,070</u>	<u>125,940</u>	<u>23,113</u>
Totals	<u>\$10,432,010</u>	<u>\$125,940</u>	<u>\$496,463</u>	<u>\$10,061,487</u>	<u>\$375,993</u>

(Continued)

# **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007**

### **NOTE 10 – INTERFUND TRANSFERS:**

During the year ended June 30, 2007, the general fund transferred \$136,866 to the athletic fund to cover wages and employee benefits.

### **NOTE 11 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the year ended June 30, 2007, the rate was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of the plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2007, 2006, and 2005 were approximately \$850,137, \$794,836, and \$759,652, respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

# **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

### **NOTE 12 – OPERATING LEASES:**

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the unpaid balances of the lease agreements are not reflected in the District's long-term debt.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2007.

<b>Years ending June 30,</b>	<b><u>Amounts</u></b>
2008	\$ 30,000
2009	30,000
2010	30,000
2011	30,000
2012	<u>27,500</u>
Total minimum payments required	<u>\$147,500</u>

### **NOTE 13 – RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors and omissions.

### **NOTE 14 – SUBSEQUENT EVENTS:**

Subsequent to year-end, the District entered into an agreement to borrow \$1,300,000 in a State aid note bearing interest at 3.68% and maturing August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUE:</b>				
Local sources:				
Taxes	\$ 1,897,329	\$ 1,895,950	\$ 1,896,386	\$ 436
Interest	15,000	64,000	71,856	7,856
Other local revenue	327,743	481,433	489,926	8,493
State sources:				
State school aid-Restricted	251,841	389,199	397,148	7,950
Other state aid revenue	5,662,416	5,428,000	5,430,777	2,777
Windmill energy grant		27,130	27,130	-
Federal sources	326,560	320,771	322,865	2,095
<b>TOTAL REVENUE</b>	<u>8,480,889</u>	<u>8,606,483</u>	<u>8,636,088</u>	<u>29,605</u>
<b>EXPENDITURES:</b>				
Current:				
Education:				
Instruction	5,733,954	5,924,269	5,882,978	41,292
Supporting services	2,476,465	2,705,224	2,648,139	57,085
Debt service:				
Principal repayment	13,070	13,070	13,070	0
Interest and fiscal charges	42,000	59,737	59,648	89
<b>TOTAL EXPENDITURES</b>	<u>8,265,489</u>	<u>8,702,300</u>	<u>8,603,834</u>	<u>98,466</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>215,400</u>	<u>(95,817)</u>	<u>32,254</u>	<u>128,071</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bus loan		125,940	125,940	-
Transfers to other governments	(37,400)	(28,750)	(27,131)	1,619
Interfund transfers	(178,000)	(136,866)	(136,866)	-
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(215,400)</u>	<u>(39,676)</u>	<u>(38,057)</u>	<u>1,619</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES</b>	<u>-</u>	<u>(135,492)</u>	<u>(5,803)</u>	<u>129,689</u>
<b>FUND BALANCE - JULY 1</b>	<u>1,187,566</u>	<u>1,187,566</u>	<u>1,187,566</u>	
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 1,187,566</u>	<u>\$ 1,052,074</u>	<u>\$ 1,181,762</u>	<u>\$ 129,689</u>

**ADDITIONAL  
INFORMATION**

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>HOT LUNCH</u>	<u>ATHLETIC ACTIVITIES</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 72,005	\$ 13,613	\$ 25	\$ 85,642
Investments			43,178	43,178
Accounts receivable	4,019		30,000	34,019
Prepaid expenses	1,296			1,296
<b>TOTAL ASSETS</b>	<u>\$ 77,319</u>	<u>\$ 13,613</u>	<u>\$ 73,204</u>	<u>\$ 164,135</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES</b>				
Accounts payable		\$ 1,551		\$ 1,551
Prepaid meals	\$ 9,245			9,245
Due to other funds	748	-		748
Deferred revenue		2,835		2,835
<b>TOTAL LIABILITIES</b>	<u>9,993</u>	<u>4,386</u>		<u>14,379</u>
 <b>FUND BALANCE</b>	 67,326	 9,227	 \$ 73,204	 149,757
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 77,319</u>	<u>\$ 13,613</u>	<u>\$ 73,204</u>	<u>\$ 164,135</u>



**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN  
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>HOT LUNCH</u>	<u>ATHLETIC ACTIVITIES</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>				
Local sources:				
Sale of meals	\$ 175,704			\$ 175,704
Miscellaneous	43	\$ 8,220		8,262
Admissions and entry fees		61,301		61,301
Earnings on investments	684	132	\$ 3,322	4,138
Total local sources	176,430	69,653	3,322	249,405
State sources	29,949			29,949
Federal sources:				
Reimbursements	192,831			192,831
Commodities	31,147			31,147
<b>TOTAL REVENUE</b>	<u>430,357</u>	<u>69,653</u>	<u>3,322</u>	<u>503,332</u>
<b>EXPENDITURES:</b>				
Food	233,491			233,491
Salaries and wages	117,000	111,210		228,210
Employee benefits	57,908	28,164		86,072
Officials		23,651		23,651
Conferences & Workshops	56	5,715		5,771
Supplies	18,317	39,509		57,826
Repairs	9,451			9,451
Miscellaneous	6,395	6,209		12,604
Capital outlay	1,256		24,011	25,267
<b>TOTAL EXPENDITURES</b>	<u>443,875</u>	<u>214,457</u>	<u>24,011</u>	<u>682,342</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(13,517)</u>	<u>(144,804)</u>	<u>(20,689)</u>	<u>(179,010)</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfer from other funds		136,866		136,866
<b>EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES</b>	<u>(13,517)</u>	<u>(7,938)</u>	<u>(20,689)</u>	<u>(42,144)</u>
<b>FUND BALANCE - JULY 1</b>	80,844	17,164	93,892	191,901
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 67,326</u>	<u>\$ 9,227</u>	<u>\$ 73,204</u>	<u>\$ 149,757</u>

**ELKTON-PIGEON-BAY PORT LAKER SHCOOLS****SCHEDULE OF GENERAL FUND REVENUE**

	YEARS ENDED	
	JUNE 30,	
	<u>2007</u>	<u>2006</u>
<b>REVENUE FROM LOCAL SOURCES:</b>		
Property tax:		
Current tax levy	\$ 1,896,386	\$ 1,760,933
Tuition and fees	58,158	57,778
Earnings on investments	71,856	25,087
Rentals	4,762	3,761
Local source received thru ISD	43,802	26,659
Special education reimbursement	240,911	175,423
Sale of fixed assets	5,970	45,937
Insurance reimbursement	55,458	186,236
Miscellaneous	80,864	77,391
<b>TOTAL REVENUE FROM LOCAL SOURCES</b>	<u>2,458,167</u>	<u>2,359,206</u>
<b>REVENUE FROM STATE SOURCES:</b>		
State aid - Restricted	397,148	421,428
Windmill Grant	27,130	237,394
Other state aid revenue	5,430,777	5,707,021
<b>TOTAL REVENUE FROM STATE SOURCES</b>	<u>5,855,055</u>	<u>6,365,843</u>
<b>REVENUE FROM FEDERAL SOURCES:</b>		
Federal aid, restricted-		
Received through the State:		
Title I grant	196,031	218,561
Title V grant	2,629	8,792
Title II, Part A -Tech. Literacy Challenge	104,106	93,018
Title II, Part D -Improving Teacher Quality	2,109	3,635
Safe & Drug-free Schools & Communities	8,055	8,830
Energy Grant	855	5,080
Smart Grant	1,421	5,079
Received through ISD:		
IDEA Flowthrough Grant	-	5,000
MiBLSI Grant	670	7,088
Medicaid outreach	5,550	5,539
Miscellaneous	1,440	6,100
<b>TOTAL REVENUE FROM FEDERAL SOURCES</b>	<u>322,866</u>	<u>366,722</u>
<b>OTHER FINANCING SOURCES</b>		
Bus note proceeds	125,940	
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<u>\$ 8,762,028</u>	<u>\$ 9,091,771</u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES**

	YEARS ENDED <u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
<b>INSTRUCTION:</b>		
<b>Basic programs:</b>		
<b>Elementary:</b>		
Teacher salaries	\$ 1,344,980	\$ 1,305,020
Teacher aide salaries	63,476	63,323
Substitute teacher salaries	2,023	23,756
Employee benefits	626,569	628,297
Textbooks	19,904	27,378
Local travel	-	1,300
Copier expense	8,090	4,685
Teaching supplies	42,909	55,288
Miscellaneous expense	888	1,031
<b>Total elementary</b>	<u>2,108,839</u>	<u>2,110,079</u>
<b>Middle/Junior high:</b>		
Teacher salaries	694,547	656,464
Teacher aide salaries	21,850	16,392
Substitute teacher salaries	10,108	11,885
Employee benefits	333,311	329,870
Textbooks	11,242	20,727
Local travel	192	292
Copier expense	3,398	2,391
Teaching supplies	14,386	12,151
Miscellaneous expense	846	462
<b>Total Middle/Junior high</b>	<u>1,089,881</u>	<u>1,050,635</u>
<b>High school:</b>		
Teacher salaries	917,392	898,460
Teacher aide salaries	3,062	3,261
Substitute teacher salaries	18,029	14,566
Employee benefits	448,942	438,292
Local travel	198	620
Tuition	52,975	36,772
Textbooks	10,556	20,166
Copier expense	8,026	5,431
Teaching supplies	46,725	58,616
Miscellaneous expense	1,180	4,402
<b>Total high school</b>	<u>1,507,086</u>	<u>1,480,587</u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES**

	YEARS ENDED	
	<u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
<b>INSTRUCTION: (CONTINUED)</b>		
<b>Added needs:</b>		
<b>Special education:</b>		
Teacher salaries	371,271	347,703
Substitute teacher salaries	14,162	12,056
Employee benefits	164,957	156,945
Conference and workshops	946	2,009
Textbooks	3,668	10,006
Teaching supplies	2,388	3,638
Miscellaneous supplies and expense	-	99
<b>Total special education</b>	<u>557,392</u>	<u>532,455</u>
<b>Vocational education:</b>		
Teacher salaries	80,057	78,217
Employee benefits	35,303	36,449
Local travel	2,581	2,984
Supplies and materials	4,149	3,064
Miscellaneous expense	1,495	35
<b>Total vocational education</b>	<u>123,585</u>	<u>120,749</u>
<b>Compensatory education:</b>		
Teacher salaries	143,687	130,151
Teacher aide salaries	42,687	44,615
Substitute teacher salaries	380	180
Employee benefits	79,875	81,413
Audit fee	2,450	2,450
Supplies and materials	3,612	3,511
Parent activity	702	434
<b>Total compensatory education</b>	<u>273,394</u>	<u>262,754</u>
<b>At risk education:</b>		
Teacher salaries	80,393	104,068
Teacher aide salaries	67,655	68,523
Substitute teacher salaries	148	685
Employee benefits	57,630	72,607
Teaching supplies	137	395
<b>Total at risk education</b>	<u>205,962</u>	<u>246,278</u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES**

	YEARS ENDED	
	<u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
<b>INSTRUCTION (CONTINUED)</b>		
<b>Added needs: (Continued)</b>		
<b>Driver education:</b>		
Teacher salaries	11,213	16,358
Employee benefits	1,678	2,352
Vehicle lease	2,702	3,933
Supplies	1,247	2,339
<b>Total driver education</b>	<u>16,840</u>	<u>24,981</u>
<b>TOTAL INSTRUCTION</b>	<u>5,882,978</u>	<u>5,828,518</u>
<b>SUPPORTING SERVICES:</b>		
<b>Pupil services:</b>		
<b>Guidance services:</b>		
Counselor salaries	82,671	61,503
Secretarial salaries	25,952	26,018
Employee benefits	61,619	37,536
Supplies	1,955	930
Miscellaneous expense	3,024	3,394
<b>Total guidance services</b>	<u>175,222</u>	<u>129,381</u>
<b>Health services:</b>		
Supplies	555	105
<b>Total health services</b>	<u>555</u>	<u>105</u>
<b>Instruction:</b>		
<b>Library:</b>		
Librarian salaries	33,640	40,185
Library sub salaries	4,390	2,409
Employee benefits	11,216	14,934
Books and periodicals	6,597	5,091
Library supplies	430	505
Miscellaneous expense	1,896	2,086
<b>Total library</b>	<u>58,169</u>	<u>65,210</u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**

	YEARS ENDED	
	<u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
<b>SUPPORTING SERVICES: (CONTINUED)</b>		
<b>Instruction: (Continued)</b>		
<b>School improvement:</b>		
Contracted services	4,756	4,233
Workshops and conferences	13,689	13,285
Supplies	1,213	1,816
Miscellaneous expense	1,000	1,000
<b>Total school improvement</b>	<u>20,658</u>	<u>20,334</u>
<b>General administration:</b>		
<b>Board of education:</b>		
Board salaries	5,640	5,490
Professional services	26,146	12,610
Conferences and workshops	692	2,358
Election expense	209	1,999
Dues and fees	2,469	2,492
Miscellaneous expense	1,735	715
<b>Total board of education</b>	<u>36,891</u>	<u>25,665</u>
<b>Executive administration:</b>		
Superintendent salary	95,627	85,477
Secretarial salaries	25,146	26,656
Employee benefits	48,862	60,570
Conferences and workshops	467	809
Travel	394	4,877
Office expense	4,282	2,788
Dues and fees	909	818
<b>Total executive administration</b>	<u>175,687</u>	<u>181,996</u>
<b>School administration:</b>		
Principal salaries	200,128	176,479
Secretarial salaries	96,864	95,884
Employee benefits	147,805	136,896
Travel	531	460
Conferences and workshops	695	677
Office expense and supplies	14,192	17,295
Dues and fees	2,465	2,850
Miscellaneous expense	2,863	2,379
<b>Total school administration</b>	<u>465,542</u>	<u>432,920</u>

(Continued)

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**

	YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
<b>SUPPORTING SERVICES (CONTINUED)</b>		
<b>Business administration:</b>		
<b>Fiscal services:</b>		
Accounting services	69,750	60,745
Employee benefits	24,132	27,984
Conferences and workshops	1,587	1,964
Travel	117	140
Office supplies	2,828	2,636
Dues and fees	238	486
Insurance	13,841	14,571
Miscellaneous expense	527	710
<b>Total fiscal services</b>	<u>113,019</u>	<u>109,236</u>
<b>Technology support:</b>		
Technology coordinator	30,507	29,563
Employee benefits	23,064	21,915
Purchased services	29,776	41,554
Repairs	1,646	542
Supplies	3,267	3,092
<b>Total technology support</b>	<u>88,259</u>	<u>96,666</u>
<b>Operation and maintenance of plant</b>		
Custodian salaries	290,034	285,195
Employee benefits	179,815	191,528
Heating fuel	94,132	89,287
Telephone, water and trash	11,210	9,711
Electricity	119,034	140,775
Windmill energy project	35,955	237,394
Repairs and maintenance	26,925	22,549
Insurance	61,029	56,846
Custodial supplies	68,981	56,675
Purchased services	17,743	19,625
Travel	83	
Dues and fees	1,887	2,006
Capital outlay	13,206	15,600
Other supplies	14,475	701
<b>Total operation and maintenance of plant</b>	<u>934,509</u>	<u>1,127,893</u>

(Continued)

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS****SCHEDULE OF GENERAL FUND EXPENDITURES**

	<b>YEARS ENDED</b>	
	<b><u>JUNE 30,</u></b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>SUPPORTING SERVICES (CONTINUED)</b>		
<b>Business administration (Continued)</b>		
<b>Pupil transportation:</b>		
Bus mechanic salary	42,649	44,914
Bus driver salaries	177,786	188,999
Employee benefits	85,766	85,844
Workshops	1,231	1,246
Repairs and maintenance	31,182	39,505
Utilities	1,014	844
Insurance	10,099	11,274
Gas, oil, and grease	67,784	77,723
Tires, tube and batteries	4,696	5,037
Dues and fees	1,127	514
Other supplies	1,102	96
Capital outlay	125,940	
<b>Total pupil transportation</b>	<b>550,376</b>	<b>455,996</b>
<b>Staff relations</b>	<b>29,252</b>	<b>18,132</b>
<b>Total business administration</b>	<b>1,715,415</b>	<b>1,807,923</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>2,648,139</b>	<b>2,663,533</b>
<b>DEBT SERVICE</b>		
<b>Principal retirement:</b>		
Building maintenance	-	25,400
Bus contracts	13,070	40,330
<b>Total principal retirement</b>	<b>13,070</b>	<b>65,730</b>
<b>Interest and fiscal charges:</b>	<b>59,648</b>	<b>42,455</b>
<b>TOTAL DEBT SERVICE</b>	<b>72,718</b>	<b>108,185</b>
<b>TOTAL EXPENDITURES</b>	<b>8,603,834</b>	<b>8,600,236</b>



**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**SCHEDULE OF GENERAL FUND EXPENDITURES**

	YEARS ENDED	
	<u>JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
<b>OTHER FINANCING USES</b>		
Operating transfers to Athletic fund	136,866	152,449
Outgoing transfer - Huron Intermediate	<u>27,131</u>	<u>31,733</u>
<b>TOTAL OTHER FINANCING USES</b>	163,997	184,182
<b>TOTAL EXPENDITURES AND OTHER</b>		
<b>    FINANCING USES</b>	<u>\$ 8,767,831</u>	<u>\$ 8,784,418</u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
AGENCY FUND - STUDENT ACTIVITIES - BOARD CONTROLLED  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<b>HIGH SCHOOL</b>				
Band	\$ 360	\$ 13,220	\$ 11,926	\$ 1,654
Graduated classes	8,686		1,031	7,655
Interest on savings	2,640	421	400	2,661
Principal's office	232	4,914	3,244	1,902
Revolving	583	3,022	2,747	858
Wood shop	942	2,316	2,705	553
<b>TOTAL HIGH SCHOOL</b>	<u>13,443</u>	<u>23,893</u>	<u>22,053</u>	<u>15,283</u>
<b>JUNIOR HIGH</b>				
Interest	876	318		1,194
Office account	16,222	4,075	5,530	14,767
<b>TOTAL JUNIOR HIGH</b>	<u>17,098</u>	<u>4,393</u>	<u>5,530</u>	<u>15,961</u>
<b>LAKER ELEMENTARY</b>				
Activity	16,794	28,647	28,096	17,345
<b>TOTALS</b>	<u>\$ 47,335</u>	<u>\$ 56,933</u>	<u>\$ 55,679</u>	<u>\$ 48,589</u>

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
AGENCY FUND - STUDENT ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b><u>BALANCE</u></b> <b><u>JULY 1, 2006</u></b>	<b><u>RECEIPTS</u></b>	<b><u>DISBURSEMENTS</u></b>	<b><u>BALANCE</u></b> <b><u>JUNE 30, 2007</u></b>
High School	\$ 37,695	\$ 151,556	\$ 142,061	\$ 47,190
Junior High	13,778	84,576	85,748	12,606
DeGrow Scholarship	4,483	174	2,250	2,407
Fine Arts	53,095	133		53,228
Kasserman Scholarship	47,321	2,191	2,191	47,321
<b>TOTALS</b>	<b><u>\$ 156,372</u></b>	<b><u>\$ 238,630</u></b>	<b><u>\$ 232,250</u></b>	<b><u>\$ 162,752</u></b>

**ELKTON-PIGEON-BAYPORT LAKER SCHOOLS****SCHEDULE OF BONDED INDEBTEDNESS  
2000 SCHOOL BUILDING AND SITE BONDS  
JUNE 30, 2007**

<b>Fiscal</b>	<b>Interest</b>	<b>Interest due</b>		<b>Principal</b>	<b>Total due</b>
<b>Year ending</b>	<b>Rate</b>	<b>Nov - 1</b>	<b>May - 1</b>	<b>May - 1</b>	<b>Annually</b>
<b><u>June 30,</u></b>					
2008	5.125%	\$ 26,522	\$ 26,522	\$ 325,000	\$ 378,044
2009	5.125%	18,194	18,194	345,000	381,388
2010	5.125%	9,353	9,353	365,000	383,706
Total		<u>\$ 54,069</u>	<u>\$ 54,069</u>	<u>\$ 1,035,000</u>	<u>\$ 1,143,138</u>

Purpose of Issue: Erecting, furnishing and equipping a centralized elementary school.

**ELKTON-PIGEON-BAYPORT LAKER SCHOOLS**

**SCHEDULE OF BONDED INDEBTEDNESS  
2005 REFUNDING BONDS  
JUNE 30, 2007**

<b>Fiscal Year ending June 30,</b>	<b>Interest Rate</b>	<b>Interest due</b>		<b>Principal May - 1</b>	<b>Total due Annually</b>
		<b>Nov - 1</b>	<b>May - 1</b>		
2008		\$ 186,800	\$ 186,800		\$ 373,600
2009		186,800	186,800		373,600
2010		186,800	186,800		373,600
2011	4.000%	186,800	186,800	\$ 430,000	803,600
2012	5.000%	178,200	178,200	455,000	811,400
2013	5.000%	166,825	166,825	480,000	813,650
2014	5.000%	154,825	154,825	505,000	814,650
2015	5.000%	142,200	142,200	535,000	819,400
2016	4.000%	128,825	128,825	560,000	817,650
2017	4.000%	117,625	117,625	585,000	820,250
2018	4.000%	105,925	105,925	610,000	821,850
2019	4.000%	93,725	93,725	635,000	822,450
2020	4.000%	81,025	81,025	635,000	797,050
2021	4.125%	68,325	68,325	635,000	771,650
2022	4.200%	55,228	55,228	645,000	755,456
2023	4.250%	41,683	41,683	645,000	728,366
2024	4.300%	27,977	27,977	645,000	700,954
2025	4.375%	14,109	14,109	645,000	673,218
<b>Total</b>		<b>\$ 2,123,697</b>	<b>\$ 2,123,697</b>	<b>\$ 8,645,000</b>	<b>\$ 12,892,394</b>

On March 21, 2005 a portion of the 2000 School Building and Site Bonds were refunded.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Elkton-Pigeon-Bay Port Laker Schools  
Pigeon, Michigan 48755

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elkton-Pigeon-Bay Port Laker School District as of and for the year ended June 30, 2007, which collectively comprise Elkton-Pigeon-Bay Port Laker Schools basic financial statements and have issued our report thereon dated October 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elkton-Pigeon-Bay Port Laker School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elkton-Pigeon-Bay Port Laker School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elkton-Pigeon-Bay Port Laker School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Elkton-Pigeon-Bay Port Laker School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Elkton-Pigeon-Bay Port Laker School District's financial statements that is more than inconsequential will not be prevented or detected by Elkton-Pigeon-Bay Port Laker School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Elkton-Pigeon-Bay Port Laker School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Elkton-Pigeon-Bay Port Laker School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel P.C.*  
NIETZKE & FAUPEL, P.C.  
Sebewaing, Michigan

October 2, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Elkton-Pigeon-Bay Port Laker Schools  
Pigeon, Michigan 48755

**Compliance**

We have audited the compliance of Elkton-Pigeon-Bay Port Laker Schools, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Elkton-Pigeon-Bay Port Laker School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Elkton-Pigeon-Bay Port Laker School's management. Our responsibility is to express an opinion on Elkton-Pigeon-Bay Port Laker School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elkton-Pigeon-Bay Port Laker School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Elkton-Pigeon-Bay Port Laker School's compliance with those requirements.

In our opinion, Elkton-Pigeon-Bay Port Laker Schools, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of Elkton-Pigeon-Bay Port Laker Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Elkton-Pigeon-Bay Port Laker School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.



A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal program.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel P.C.*  
NIETZKE & FAUPEL, P.C.  
Sebewaing, Michigan

October 7, 2007

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

There were no findings or questioned costs for the year ended June 30, 2006.

# **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007**

### **A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report, expresses an unqualified opinion on the financial statements of Elkton-Pigeon-Bay Port Laker Schools.
2. No significant deficiencies relating to the audit of the financial statements are reported in the REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.
3. No instances of noncompliance material to the financial statements of Elkton-Pigeon-Bay Port Laker Schools were disclosed during the audit.
4. No significant deficiencies were disclosed regarding internal control over major federal award program compliance in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.
5. The auditor's report on compliance for the major federal award programs for Elkton-Pigeon-Bay Port Laker Schools, expresses an unqualified opinion on all major federal programs.
6. The auditor's report disclosed no instances of findings relative to the major federal award programs for Elkton-Pigeon-Bay Port Laker Schools.
7. The programs tested as major programs included:  
  
Title I – Part A Imp Basic Program 84.010
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Elkton-Pigeon-Bay Port Laker Schools did qualify as a low-risk auditee.

### **B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

1. None.

### **C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None.

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Grant Award Amount	Memo Only Prior Year Expenditures	Accrued (Deferred) Revenue 6/30/2006	Current Year Expenditures	Current Year Receipts Cash basis	Accrued (Deferred) Revenue 6/30/2007
<b>U.S. Department of Agriculture</b>								
<i>Child Nutrition Cluster:</i>								
Passed Through MDE	10.555		\$ 30,422			\$ 30,422	\$ 30,422	
Section 4 All Lunches	10.555		122,679			122,679	122,679	
Section 11 Free & Reduced			153,101			153,101	153,101	
Total								
Breakfast			39,730			39,730	39,730	
Total Child Nutrition Cluster	10.553		192,831			192,831	192,831	
Entitlement Commodities	10.550		31,147			31,147	31,147	
<b>Total U.S. Department of Agriculture</b>			<u>223,978</u>			<u>223,978</u>	<u>223,978</u>	
<b>U.S. Department of Energy</b>								
Passed through State of Michigan-DLEG								
Energy grant	81.119	PLA-05-69	6,500	\$ 5,079	\$ 275	1,421	1,696	
Biodiesel grant	84.041	PLA-06-41	6,000	5,080	391	855	1,246	
<b>Total U. S. Department of Energy</b>			<u>12,500</u>	<u>10,159</u>	<u>666</u>	<u>2,276</u>	<u>2,942</u>	

# ELKTON-PIGEON-BAY PORT LAKER SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Grant Award Amount	Memo Only Prior Year Expenditures	Accrued (Deferred) Revenue 6/30/2006	Current Year Expenditures	Current Year Receipts Cash basis	Accrued (Deferred) Revenue 6/30/2007
U.S. Department of Education								
Passed Through MDE								
Title I	84.010	061530/0506	204,544	204,544	2,984		2,984	
Title I Carryover	84.010	061530/0607	13,984			13,984	13,984	
Title I	84.010	071530/0607	189,865			182,047	156,141	\$ 25,906
Title II Part D Ed Tech	84.318	074290/0607	1,949			1,135	1,135	
Title II Part D Ed Tech	84.318	064290/0607	974			974	974	
Title II Part A Imp Teacher Quality	84.367	070520/0607	81,222			79,393	66,644	12,749
Title II Part A Carryover	84.367	060520/0607	24,713			24,713	24,713	
Title IV, Drug-free schools	84.186	062860/0607	3,046			3,046	3,046	
Title IV, Drug-free schools	84.186	072860/0607	5,485			5,009	4,848	161
Title V LEA Allocation	84.298	070250/0607	2,893			2,629	2,278	351
Service Provider Self Review	84.027A	070440/0607	4,000			1,440	1,440	
Total Passed Through MDE			532,675	204,544	2,984	314,370	278,187	39,167
Passed through ISD								
IDEA Grant	84.027	070450/0607	5,000				5,000	(5,000)
MiBLisi Grant 2006-07	84.027A		2,500		(54)	616	2,500	(1,884)
MiBLisi Grant 2005-06	84.027A				(54)	54		(6,884)
Total Passed Through ISD			7,500	-	(54)	670	7,500	
Total U.S. Department of Education			540,175	204,544	2,930	315,040	285,687	32,283

**ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Approved Grant Award Amount	Memo Only Prior Year Expenditures	Accrued (Deferred) Revenue 6/30/2006	Current Year Expenditures	Current Year Receipts Cash basis	Accrued (Deferred) Revenue 6/30/2007
U.S. Department Health & Human Serv. Passed through ISD Medicaid Outreach	93.778		5,550			5,550	5,550	
<b>Total Federal Financial Assistance</b>			<u>\$ 782,203</u>	<u>\$ 214,703</u>	<u>\$ 3,596</u>	<u>\$ 546,844</u>	<u>\$ 518,157</u>	<u>\$ 32,283</u>

## **ELKTON-PIGEON-BAY PORT LAKER SCHOOLS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007**

#### Notes

1. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the District's federal awards and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.
2. Expenditures on this schedule reconcile with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
3. The amounts reported on the R7120, Grants Section Auditors' Report, reconcile with this schedule.
4. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities.
5. The program tested as a major program was Title I, CFDA #84.010.
6. Reconciliation to the Financial Statements:

General Fund	\$322,866
Special Revenue Funds:	
Food Service Fund	<u>223,978</u>
Current Year Expenditures	<u>\$546,844</u>